

**RECOVERY OF TSUNAMI AFFECTED  
MICRO, SMALL AND MEDIUM-SCALE  
ENTERPRISES - THE CASE OF GALLE  
DISTRICT IN SRI LANKA**

By

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The Dissertation was submitted to the Department of Management of Technology of the University of Moratuwa in partial fulfilment of the requirement for the Degree of Master of Business Administration.

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## Declaration

I certify that this thesis does not incorporate, without acknowledgement of any material previously submitted for a degree or diploma in any university to the best of my knowledge and belief. It does not contain any material previously published, written or orally communicated by another person except where due reference is made in the text.

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## List of Abbreviations

CBOs	Community Based Organizations
FCCISL	Federation of Chambers of Commerce and Industry of Sri Lanka
GAs	Government Agents
GDP	Gross Domestic Products
IDB	Industrial Development Board
ILO	International Labour Organization
INGOs	International Non Governmental Organizations
JICA	Japan International Cooperation Agency
MBA	Master of Business Administration
MFIs	Micro Finance Institutions
NGOs	Non Governmental Organizations
SMEs	Small and Medium Scale Enterprises
TP	Transition Programme
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development



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## Abstract

The Tsunami tidal wave struck Sri Lanka on 26<sup>th</sup> December 2004 causing heavy damages to the enterprises located in the coastal belt. Two thirds of the Coastal Zone of Sri Lanka was adversely affected by the Tsunami, in which reportedly 31 000 lives were lost. About 6 300 persons are still missing and 15 000 injured. About 443 000 persons were displaced. Around 3500 business enterprises were affected in Galle district due to Tsunami. Out of 4.389 industrial enterprises affected around the country, 929 units in Galle district had been engaged in providing services and manufacturing of products.

Micro and SMEs play an important role in economic growth, reducing unemployment, poverty reduction, regional development, equitable distribution of income and national innovation. This sector is said to be the backbone of the economy of Sri Lanka being a developing country. Since Tsunami destroyed many micro and SMEs around the coastal areas of the country, considerable support should be given to rebuild them for the development of the area.



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This study was designed to identify the main issues encountered by the Tsunami affected micro and SMEs in Galle district and to identify how they have recovered. Finally, policies and strategies were recommended to develop those Tsunami affected micro and SMEs in the Galle district. Data collection was through personal interviews of fifty entrepreneurs, in the Tsunami affected industries in the Galle district.

According to the survey analysis the key issues that affected the business organizations were loss and damage to the plant and machinery and inventory. Their business income also has been reduced drastically due to the Tsunami. Most of the buildings of the organizations were also damaged considerably. Even though Tsunami caused drastic destruction to lives of the people in the coastal belt, this research amongst a sample of affected industries in Galle District confirmed that the damage to employees was minimal, compared to other damages.

Further, this survey results confirm that a very low level of outside support had been received by Tsunami affected business organizations to rebuild their businesses and around 32% of the business organizations surveyed did not receive any form of assistance. Few of the micro and SMEs did not receive any support from Tsunami aid agencies, due to 100 meter buffer zone restriction and the government should modify the 100 meter buffer zone regulation taking into consideration the necessities of the resources of those affected industries.

This research findings show that the average percentage of business activity level compared to pre-Tsunami period is 64.8%. As per findings of this research one of the key requirements of the affected entrepreneurs are loans at low interest rates. Therefore, the government should consider this request for the development of Tsunami affected business organizations.

Most of the aid agencies provided grants and loans to the development of the business. Comparatively limited amounts of grants had been extended to cover damaged plant and machineries and inventories, even where those were heavily damaged. According to the survey results, the main problems had been delays in receiving benefits, procedural difficulties and lack of cooperation from the officers of Tsunami aid relief agencies.

Around 88% of business organizations were sole proprietorship businesses according to the survey conducted. Therefore, policies of Tsunami aid relief agencies should adequately address the needs of sole proprietorship business requirements.

Further research can be carried out by covering at least, a larger sample size, say 350, business organizations for the population of 3,350 businesses organizations in Galle district. This research can also be extended to cover other districts, which were damaged by the Tsunami. Thereby, it may assist in verifying and substantiating the findings of this research as well as enable the aid agencies to address the issues faced by Tsunami affected business more effectively.